

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 IO-13 ISO-00 TRSE-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 /100 R

DRAFTED BY EB/OT/STA:MCJONES:KAM

APPROVED BY EB/OT/STA:WCLARK, JR.

TREAS:POSUCHMAN

ARA/BR:TSHUGART

ARA/ECP:MCAVILA

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R 121414Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO USMISSION GENEVA

USDEL MTN GENEVA

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E.O. 11652: ADS, DECLAS 7/13/76

TAGS: ETRD, BR

SUBJECT: COUNTERVAILING DUTIES -- WAIVER OF CVD ON LEATHER
HANDBAGS FROM BRAZIL

REF: (A) STATE 164211 (NOTAL); (B) STATE 170005 (NOTAL);
(C) STATE A-184 1/14/76

1. TREASURY WILL PUBLISH IN JULY 13 FEDERAL REGISTER THE
FOLLOWING NOTICE OF WAIVER OF COUNTERVAILING DUTIES ON
LEATHER HANDBAGS FROM BRAZIL UNDER THE TEMPORARY WAIVER PRO-
VISION OF TRADE ACT OF 1974. TEXT OF JANUARY 12 FEDERAL
REGISTER NOTICE OF IMPOSITION OF COUNTERVAILING DUTIES WAS
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TRANSMITTED IN REF C.

BEGIN TEXT. WAIVER OF COUNTERVAILING DUTIES--LEATHER HANDBAGS FROM BRAZIL. DETERMINATION UNDER SECTION 303(D), TARIFF ACT OF 1930, AS AMENDED, TO WAIVE COUNTERVAILING DUTIES. DEPARTMENT OF THE TREASURY WASHINGTON, D.C. TITLE 19 - CUSTOMS DUTIES CHAPTER I - UNITED STATES CUSTOMS SERVICE PART 159 - LIQUIDATION OF DUTIES.

IN T.D. 76-3, PUBLISHED IN THE FEDERAL REGISTER OF JANUARY 12, 1976 (41 F.R. 1741), IT WAS DETERMINED THAT BOUNTIES OR GRANTS WITHIN THE MEANING OF SECTION 303 OF THE TARIFF ACT OF 1930 (19 U.S.C. 1303), AS AMENDED, ARE BEING PAID OR BESTOWED, DIRECTLY OR INDIRECTLY, UPON THE MANUFACTURE, PRODUCTION, OR EXPORTATION OF LEATHER HANDBAGS FROM BRAZIL.

SECTION 303(D) OF THE TARIFF ACT OF 1930, AS ADDED BY THE TRADE ACT OF 1974 (PUB. L. 93-618, JANUARY 3, 1975), AUTHORIZES THE SECRETARY OF THE TREASURY TO WAIVE THE IMPOSITION OF COUNTERVAILING DUTIES DURING THE 4-YEAR PERIOD BEGINNING ON THE DATE OF ENACTMENT OF THE TRADE ACT OF 1974 IF HE DETERMINES THAT:

(1) ADEQUATE STEPS HAVE BEEN TAKEN TO REDUCE SUBSTANTIALLY OR ELIMINATE DURING SUCH PERIOD THE ADVERSE EFFECT OF A BOUNTY OR GRANT WHICH HE HAS DETERMINED IS BEING PAID OR BESTOWED WITH RESPECT TO ANY ARTICLE OR MERCHANDISE;

(2) THERE IS A REASONABLE PROSPECT THAT, UNDER SECTION 102 OF THE TRADE ACT OF 1974, SUCCESSFUL TRADE AGREEMENTS WILL BE ENTERED INTO WITH FOREIGN COUNTRIES OR INSTRUMENTALITIES PROVIDING FOR THE REDUCTION OR ELIMINATION OF BARRIERS TO OR OTHER DISTORTIONS OF INTERNATIONAL TRADE; AND

(3) THE IMPOSITION OF THE ADDITIONAL DUTY UNDER THIS SECTION WITH RESPECT TO SUCH ARTICLE OR MERCHANDISE WOULD BE LIKELY TO SERIOUSLY JEOPARDIZE THE SATISFACTORY COMPLETION OF SUCH NEGOTIATIONS.

BASED UPON ANALYSIS OF ALL THE RELEVANT FACTORS AND AFTER CONSULTATION WITH INTERESTED AGENCIES, I HAVE CONCLUDED LIMITED OFFICIAL USE

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THAT STEPS HAVE BEEN TAKEN TO REDUCE SUBSTANTIALLY THE ADVERSE EFFECTS OF THE BOUNTIES OR GRANTS. SPECIFICALLY, THE GOVERNMENT OF BRAZIL HAS AGREED TO ELIMINATE THE GENERAL EXPORT INCENTIVE PROGRAM APPLICABLE TO HANDBAGS. THIS PROGRAM CONSISTS OF THE GRANTING ON EXPORT OF TAX CREDITS, EQUAL TO THE STATE (ICM) AND FEDERAL (IPI) VALUE-ADDED TYPE TAXES, OVER AND ABOVE THE NORMAL REBATE OF THOSE TAXES. THESE CREDITS CAN BE USED IN LIMITED CIRCUMSTANCES

TO PAY DOMESTIC TAX LIABILITIES. THEREFORE THE COUNTER-
VAILING BOUNTY OR GRANT IS LESS THAN THE NOMINAL AMOUNT OF
THE CREDIT GRANTED. ON JUNE 24, 1976, THE GOVERNMENT OF
BRAZIL TOOK THE NECESSARY MEASURES TO LOWER THE ICM TAX
CREDITS ON LEATHER HANDBAGS FROM 12 PERCENT TO 4 PERCENT,
AD VALOREM. NEW RATE WILL BECOME EFFECTIVE ON HANDBAGS
EXPORTED O/A 1 JULY 1976. THE GOVERNMENT OF
BRAZIL HAS AGREED TO ELIMINATE THE ICM TAX CREDITS ON
LEATHER HANDBAGS BY JANUARY 1, 1976.

THE IPI TAX CREDITS ON LEATHER HANDBAGS WILL BE LOWERED
FROM 12 PERCENT TO 8 PERCENT BY JANUARY 1, 1977. THESE TAX
CREDITS WILL BE FURTHER REDUCED TO 4 PERCENT BY JULY 1,
1977 AND ELIMINATED BY DECEMBER 31, 1977.
TOGETHER THE ICM AND IPI TAX CREDITS ACCOUNT FOR VIRTUALLY
ALL OF THE BOUNTY OR GRANT DETERMINED TO BE PAID OR BE-
STOWED BY THE GOVERNMENT OF BRAZIL ON EXPORTS OF LEATHER
HANDBAGS.

AFTER CONSULTING WITH APPROPRIATE AGENCIES, INCLUDING THE
DEPARTMENT OF STATE AND THE OFFICE OF SPECIAL REPRESENTA-
TIVE FOR TRADE NEGOTIATIONS, I HAVE FURTHER CONCLUDED (1)
THAT THERE IS A REASONABLE PROSPECT THAT, UNDER SECTION
102 OF THE TRADE ACT OF 1974, SUCCESSFUL TRADE AGREEMENTS
WILL BE ENTERED INTO WITH FOREIGN COUNTRIES OR INSTRUMEN-
TALITIES PROVIDING FOR THE REDUCTION OR ELIMINATION OF
BARRIERS TO OR OTHER DISTORTIONS OF INTERNATIONAL TRADE;
AND (2) THAT THE IMPOSITION OF COUNTERVAILING DUTIES ON
LEATHER HANDBAGS FROM BRAZIL WOULD BE LIKELY TO SERIOUSLY
JEOPARDIZE THE SATISFACTORY COMPLETION OF SUCH NEGOTIA-
TIONS.

ACCORDINGLY, PURSUANT TO SECTION 303(D) OF THE TARIFF ACT
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OF 1930, AS AMENDED (19 U.S.C. 1303(D)), I HEREBY WAIVE THE
IMPOSITION OF COUNTERVAILING DUTIES AS WELL AS THE SUSPEN-
SION OF LIQUIDATION ORDERED PURSUANT TO T.D. 76-3 ON
LEATHER HANDBAGS EXPORTED FROM BRAZIL ON OR AFTER JULY 1,
1976.

THIS DETERMINATION MAY BE REVOKED, IN WHOLE OR IN
PART, AT ANY TIME AND SHALL BE REVOKED WHENEVER THE BASIS
SUPPORTING SUCH DETERMINATION NO LONGER EXISTS. UNLESS
SOONER REVOKED OR MADE SUBJECT TO A RESOLUTION OF DIS-
APPROVAL ADOPTED BY EITHER HOUSE OF THE CONGRESS OF THE
UNITED STATES PURSUANT TO SECTION 303(E) OF THE TARIFF ACT
OF 1930, AS AMENDED (19 U.S.C. 1303(E)), THIS WAIVER OF
COUNTERVAILING DUTIES WILL, IN ANY EVENT, BY STATUTE CEASE
TO HAVE FORCE AND EFFECT ON JANUARY 4, 1979.

ON OR AFTER THE DATE OF PUBLICATION IN THE FEDERAL REGISTER OF A NOTICE REVOKING THIS DETERMINATION IN WHOLE OR IN PART, THE DAY AFTER THE DATE OF ADOPTION BY EITHER HOUSE OF CONGRESS OF A RESOLUTION DISAPPROVING THIS QUOTE WAIVER OF COUNTERVAILING DUTIES END QUOTE, OR JANUARY 4, 1979, WHICHEVER OCCURS FIRST, COUNTERVAILING DUTIES WILL BE ASSESSABLE ON LEATHER HANDBAGS FROM BRAZIL IN ACCORDANCE WITH T.D. 76-3.

THE TABLE IN SECTION 159.47(F) OF THE CUSTOMS REGULATIONS (19 CFR 159.47(F)) IS AMENDED BY INSERTING AFTER THE LAST ENTRY FOR BRAZIL UNDER THE COMMODITY HEADING QUOTE LEATHER HANDBAGS END QUOTE THE NUMBER OF THIS TREASURY DECISION IN THE COLUMN HEADING QUOTE TREASURY DECISION END QUOTE, AND THE WORDS QUOTE IMPOSITION OF COUNTERVAILING DUTIES WAIVED END QUOTE IN THE COLUMN HEADED QUOTE ACTION END QUOTE.

(R.S. 251, AS AMENDED, SECS. 303, AS AMENDED, 624; 46 STAT. 687, 759, 88 STAT. 2051, 2052; 19 U.S.C. 66, 1303, 1624).

WILLIAM E. SIMON
SECRETARY OF THE TREASURY

END TEXT. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LEATHER, COUNTERVAILING DUTIES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE171562
Document Source: CORE
Document Unique ID: 00
Drafter: MCJONES:KAM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760268-0386
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760767/aaaacheg.tel
Line Count: 193
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 164211
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 10 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 MAY 2004 by buchant0>; APPROVED <22 SEP 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTERVAILING DUTIES -- WAIVER OF CVD ON LEATHER HANDBAGS FROM BRAZIL
TAGS: ETRD, BR
To: BRASILIA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006